



Michigan Nonprofit Association

**Testimony of Kyle Caldwell
President and CEO
Michigan Nonprofit Association
Before the
Michigan House Tax Policy Committee
December 13, 2012**

**Senate Bill 1337
Clarification of Exemption for the Sale of Personal Property to a Nonprofit**

The Honorable, Representative Judson S. Gilbert II
Chairman, House Tax Policy Committee
Michigan House of Representatives

Dear Chairman Gilbert,

On behalf of the Michigan Nonprofit Association (MNA) and the more than 47,000 nonprofits in Michigan, I would like to thank you for holding this hearing and for Representative Vicki Barnett, a leader in the Michigan Nonprofit Caucus, for sponsoring Senate Bill 1337.

Michigan Nonprofit Association's Position

MNA supports Senate Bill 1337 as it provides clarity and certainty in the tax code for charitable organizations while instituting prudent safeguards for the integrity of fundraising activities that are vital to fulfilling the mission of our state's nonprofits.

Testimony in Support of Senate Bill 1337

MNA supports amending the General Sales Tax Act to make clear and explicit that personal property purchased by certain nonprofit organizations is not subject to sales tax. The need for this legislation arose following an interpretation by the Michigan Department of Treasury that the present General Sales Tax Act does not necessarily exempt from sales tax goods that will be used for a nonprofit's fundraising purposes. Because fundraising is a vital and notable function for the nonprofit sector to accomplish vital charitable and social missions, Senate Bill 1337 represents a defining moment for the Michigan Legislature.

Fundraising activities are even more necessary today than in the past in the face of increasing pressures on nonprofits to do more with less. The restructuring of many of the state's community services from the public sector to the more efficient nonprofit sector with fewer public resources, means that nonprofits must find other revenues to maintain their missions. From 2007 to 2010, Michigan charities saw a 5% decline in giving from individuals (Michigan Nonprofit Association, 2011). In addition, Michigan is #8 in the state rankings for not paying the full costs for services provided by nonprofits (Elizabeth Boris, 2012). In 2012, Michigan repealed the Michigan Charitable Tax Credit (MCTC) that provided leverage to individuals and



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families who wanted to give to nonprofits. In 2011, just as the Legislature was threatening to repeal MCTC, giving by individuals spiked upward, likely to take advantage of the expiring charitable incentive (Michigan Nonprofit Association, 2011). Given these pressures, nonprofits can ill afford a tax on the very activity they need to expand during these economically challenging times—fundraising. Nonprofit organizations and charities MNA represents do not define themselves by their ability to fundraise, but in their ability to add support and value to the lives of the constituents and clients that they serve.

There may be concerns about the financial impact of this legislation on the state budget. MNA understands the concern but feels that it may be misplaced. First, it is unclear as to whether the current interpretation is being fully enforced. Second, the nonprofit sector has been an economic engine for the state having been the only growing sector during the height of the recent recession and with a growing asset base. (Michigan Nonprofit Association, May, 2012). It is counter-intuitive to further the tax burden on nonprofit organizations while they provide vital services government cannot provide by itself, and serve as a job-creating asset building industry for the state.

Still others may be concerned about the “bad actors” that might use the tax code and the tax exempt status of a nonprofit organization to provide themselves with a personal benefit. MNA supports the protections and safeguards that would be enshrined in state law through this legislation’s cap on the value of property and vehicles used to raise funds or obtain resources for nonprofits.

Senate Bill 1337 is a vital clarification and reaffirmation of the exemption status of nonprofits and other charitable organizations. The bill promotes the missions of nonprofits by ensuring that funds are going towards those missions.

The Michigan Nonprofit Association strongly urges the members of the Senate Finance Committee to support Senate Bill 1337 being reported with recommendation and your fellow Senate colleagues’ passage of the bill by the entire body.

Respectfully,

Kyle Caldwell
President & CEO
Michigan Nonprofit Association



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Reference Material

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Clarification of Exemption for the Sale of Personal Property to a Nonprofit

Michigan Nonprofit Association's Position

The Michigan Nonprofit Association supports Senate Bill 1337 as it safeguards the vital mission of our state's nonprofits.

Testimony in Support of Senate Bill 1337

The Michigan Nonprofit Association (MNA) supports amending the General Sales Tax Act to make more explicit the exemption nonprofits have to purchase personal property. The need for this legislation arose following an interpretation by the Michigan Department of Treasury that the present General Sales Tax Act does not exempt from the state's sales tax personal property purchased by a nonprofit or other charitable organization that would be used for fundraising purposes. As fundraising is a notable function of the nonprofit sector to accomplish vital charitable and social missions, Senate Bill 1337 represents a defining moment for the Michigan's Legislature.

Although the nonprofit organizations and charities MNA represents do not define themselves by their ability to fundraise but in their ability to add support and value to the lives of the constituents and clients that we serve, we do know that undue barriers to retaining the funds raised to support the missions of Michigan nonprofits cannot be measured in dollars lost but in lives we simply would not be able to help. If the heart of the nonprofit sector is our mission- whether charitable or health related or education related, etc.- then our hands and our feet would be our ability to fundraise.

Although I may be biased, I believe Michigan's nonprofit sector is second to known in its ability to operate against the backdrop of economic downturn, to serve the increased need of our fellow citizens, to do more with less and most notably the conscientious use of each and every dollar we raise going to support our philanthropic missions. Senate Bill 1337 is a vital clarification of the exemption status of nonprofits and other charitable organizations to ensure utmost dollars are going towards those missions and not being siphoned into state government coffers where it will do less good.

The Michigan Nonprofit Association strongly urges the members of the Senate Finance Committee to support Senate Bill 1337 being reported with recommendation and your fellow Senate colleagues' passage of the bill by the entire body.